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NADA DATA 1989

ECONOMIC IMPACT OF AMERICA'S NEW CAR AND TRUCK DEALERS

NADA DATA

In 1988, the nation's franchised dealerships attained a record $303 billion in sales. As a result, the influence of America's dealers on the overall economy, already large to begin with, continued to grow.

New-vehicle sales totaled nearly 16 million units in 1988, an increase of 4.5 percent from the previous year. Advances in the used-vehicle and service and parts departments were even greater. The typical dealership recorded a 13 percent increase in used-vehicle department dollar sales on a 7.5 percent rise in units sold. Likewise, service and parts department sales rose 11 percent in light of a 2 percent increase in the number of repair orders performed.

The increase in overall sales allowed dealers to add to their total employment levels again in 1988. Indeed, over the past five years, total dealership employment has risen 31 percent, representing the creation of 218,000 new jobs. The total payroll for all dealerships in 1988 was $23.2 billion.

Of course, franchised dealers are more than just providers of goods, services, and jobs; they are also purchasers. In 1988, dealers had total expenditures (excluding cost of goods sold) of $45 billion. Some typical expenditures include: advertising ($4.1 billion), rent ($3.2 billion), floor-plan interest ($2.2 billion), and heat, light, and power ($0.7 billion). In addition, the franchised dealer is a major source of tax revenue and, in most instances, a principal contributor of time and money to local charities.

Frank E. McCarthy
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TOTAL DEALERSHIP SALES

Because of strong unit sales and moderate price increases, the average dealership's total dollar sales rose nearly 10 percent in 1988.

In each of the last two years, the used-vehicle and service departments showed faster gains than the new-vehicle department. In 1988, dollar sales in these two departments increased more than 11 percent.

Total gross and expense

Gross as percent of sales for the total dealership remained stable for the year. At the same time, margins in the new- and used-vehicle departments continued to slide, reflecting the long-term trend of dealerships to become increasingly large businesses operating on increasingly thin margins.

Some major expenses for the average dealership in 1988 were:

Total payroll	$919,000
Advertising	$160,900
Rent and equivalent	$125,200
Floor plan interest	$ 86,200

Total dealership profits

Despite the increase in total dollar sales, dealership profitability remained weak as net profit before taxes as a percent of total sales fell to 1.7 percent in 1988. In constant dollar terms, profits before tax for the average dealership fell 4 percent.

Nevertheless, dealership profitability as measured by the return on equity remained relatively healthy at 27.3 percent, just slightly below the 28.3 percent rate achieved in 1987.

AVERAGE DEALERSHIP PROFILE

	1982	1983	1984	1985	1986	1987	1988	% Change 1987-88
Total dealership sales	6,136,755	7,596,668	9,063,567	10,010,628	10,585,313	10,948,674	12,009,307	9.69
Total dealership gross	851,782	1,043,023	1,222,675	1,430,519	1,502,056	1,658,724	1,808,602	9.04
as % of total sales	13.88	13.73	13.49	14.29	14.19	15.15	15.06	
Total dealership expense	772,004	880,454	1,025,089	1,210,285	1,273,413	1,452,889	1,603,242	10.35
as % of total sales	12.58	11.59	11.31	12.09	12.03	13.27	13.35	
Net profit before taxes	79,778	162,569	197,586	220,234	228,643	205,835	205,359	−0.23
as % of total sales	1.30	2.14	2.18	2.20	2.16	1.88	1.71	
(Net pretax profit in constant 1967 dollars)	27,593	54,476	63,512	68,353	69,623	60,469	57,980	−4.12
New-vehicle dept. sales	3,767,967	4,816,288	5,927,573	6,757,174	7,123,916	6,974,305	7,553,854	8.31
as % of total sales	61.40	63.40	65.40	67.50	67.30	63.70	62.9	
Used-vehicle dept. sales	1,399,180	1,709,250	1,930,540	1,962,083	2,106,477	2,430,606	2,738,122	12.65
as % of total sales	22.80	22.50	21.30	19.60	19.90	22.20	22.8	
Service and parts sales	969,607	1,071,130	1,205,454	1,291,371	1,354,920	1,543,763	1,717,331	11.24
as % of total sales	15.80	14.10	13.30	12.90	12.80	14.10	14.3	
New vehicles average selling price	9,910	10,725	11,100	11,925	12,950	13,450	14,100	4.83
Average net worth (as of 12/31)	421,480	548,496	553,331	623,715	607,304	727,004	752,935	3.57
Net profit as % of net worth	18.93	29.64	35.71	35.31	37.65	28.31	27.27	

Source: NADA Industry Analysis

NADA OPTIMISM INDEX

For the past 12 years, NADA's Industry Analysis Division has conducted a quarterly survey of the profit expectations of new-car and truck dealers for the next 12 months. The survey results have closely matched dealers' actual profits and have also served as a barometer of national economic trends.

During 1988, the NADA Optimism Index rose from 125 to 135. The index peaked during the second quarter of the year at 145. Declines in the later part of the year suggest that dealers do not expect 1989 new-vehicle sales to be as strong as 1988.

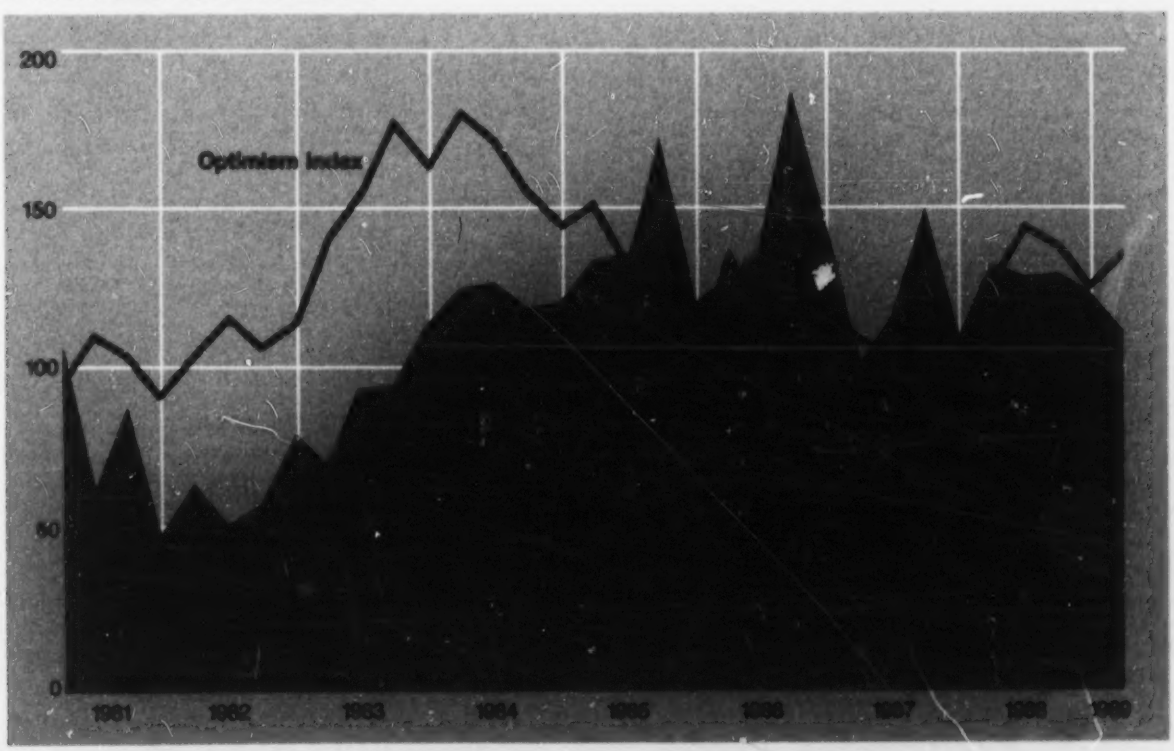
The chart below shows that the Dealer Optimism Index can be quite useful in predicting turning points in new-car sales. Throughout 1981 and 1982, when many industry analysts were predicting an imminent turnaround in new-vehicle sales, dealers showed no significant increase in optimism. In retrospect, the low level of dealer optimism was well-founded. The NADA Optimism Index began to rise in early 1983 and new-car sales began to improve after that, reaching a peak in 1986.

EXPECTATIONS FOR DEALERSHIP PROFITS

	Percent of dealers expecting profits to:			
	Increase	No Change	Decline	Index Value
4/76	57.7	35.4	6.9	163
4/77	46.9	43.8	9.3	146
4/78	35.4	51.2	13.4	126
4/79	29.0	50.5	20.4	112
4/80	9.2	25.4	65.3	51
4/81	30.0	51.5	18.6	111
4/82	33.4	47.5	19.2	115
4/83	54.4	38.1	7.5	155
4/84	60.0	36.1	3.9	171
4/85	41.6	44.6	13.8	133
4/86	33.3	44.6	22.1	115
4/87	29.3	43.1	27.6	103
4/88	47.0	43.5	9.5	145
10/88	33.2	53.6	13.1	125
1/89	41.4	45.3	13.3	135

Source: NADA Industry Analysis

OPTIMISM INDEX VS. NEW-CAR SALES



FRANCHISED NEW-CAR DEALERSHIPS

The number of franchised new-car dealerships rose slightly in 1988. The total count, however, is lower than 10 years ago.

Although the dealership count has remained steady for the past three years, the number of dealer principals has continued to fall. NADA figures indicate that the nation's 25,500 dealerships are owned by 17,800 dealer principals. In 1979, NADA estimated that 28,850 dealerships were controlled by 25,100 dealer principals.

The two graphics on this page further illustrate that the multiple-dealership operator is fast becoming the rule rather than the exception. Nearly half of all dealerships are currently part of a chain (if "chain" is used in its least restrictive sense to mean two or more dealerships) and more than 20 percent of all dealerships are part of a four-or-more dealership chain.

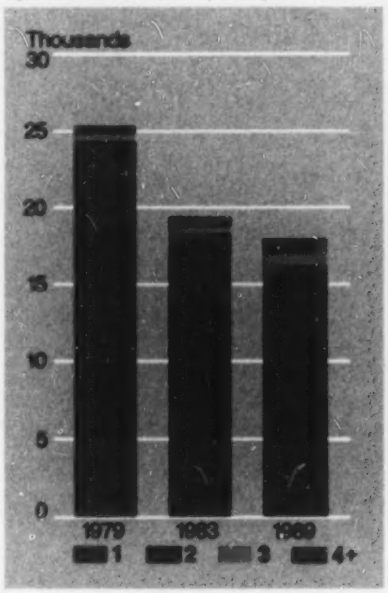
NUMBER OF FRANCHISED NEW-CAR DEALERSHIPS

As of beginning of year

1979	28,850
1980	28,250
1981	26,600
1982	25,700
1983	24,725
1984	24,725
1985	24,725
1986	25,100
1987	25,150
1988	25,000
1989	25,500

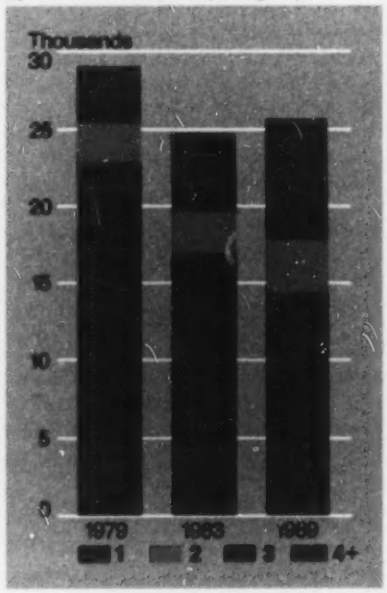
DISTRIBUTION OF DEALER PRINCIPALS

By number of dealerships they control



DISTRIBUTION OF DEALERSHIPS

By number of dealerships in group



ESTIMATED NUMBER OF FRANCHISED NEW-CAR DEALERSHIPS

By state as of January 1, 1989

Alabama	400	Montana	170
Alaska	40	Nebraska	280
Arizona	235	Nevada	85
Arkansas	330	New Hampshire	185
California	2,020	New Jersey	815
Colorado	295	New Mexico	140
Connecticut	395	New York	1,445
Delaware	70	North Carolina	775
D.C.	10	North Dakota	155
Florida	970	Ohio	1,205
Georgia	680	Oklahoma	425
Hawaii	60	Oregon	315
Idaho	135	Pennsylvania	1,580
Illinois	1,255	Rhode Island	105
Indiana	700	South Carolina	350
Iowa	540	South Dakota	160
Kansas	390	Tennessee	460
Kentucky	365	Texas	1,525
Louisiana	380	Utah	150
Maine	205	Vermont	115
Maryland	400	Virginia	700
Massachusetts	625	Washington	385
Michigan	890	West Virginia	260
Minnesota	580	Wisconsin	730
Mississippi	305	Wyoming	80
Missouri	630	**Total U.S.**	**25,500**

Source: NADA Industry Analysis Division

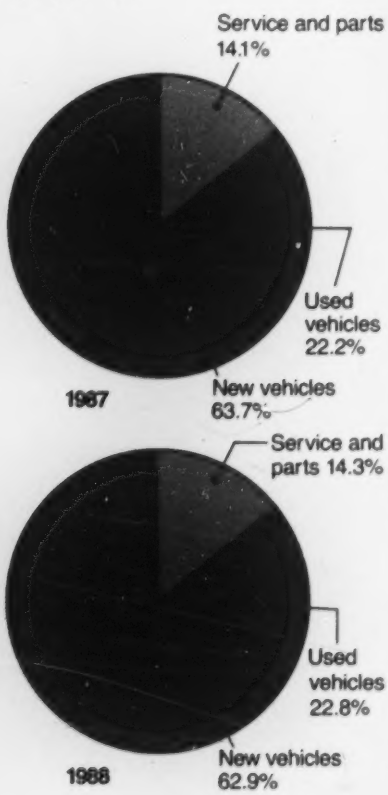
TOTAL DEALERSHIP SALES DOLLARS

Total dollar sales of all franchised new-car dealerships reached a record $303.2 billion in 1988, an increase of over 10 percent from 1987. Strong sales were the result of improved performance in both the used-vehicle department and the service and parts department.

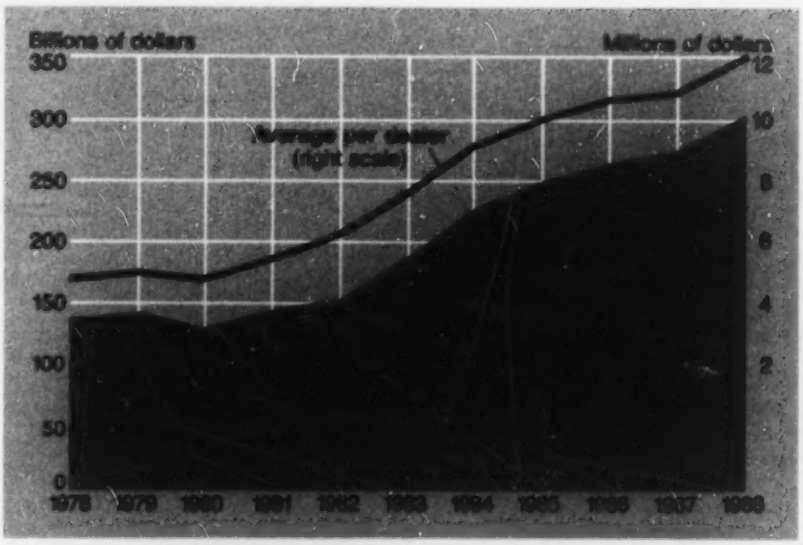
The chart to the bottom right shows that the average dealership size varies significantly among the states. Five states had average dealership sales of less than $6 million, while nine states had average dealership sales in excess of $15 million.

SHARE OF TOTAL DEALERSHIP SALES DOLLARS

By department



TOTAL SALES OF FRANCHISED NEW-CAR DEALERS



1988 TOTAL SALES BY STATE

State	All dealers ($ millions)	Average per dealer ($ thousands)	State	All dealers ($ millions)	Average per dealer ($ thousands)
Alabama	4,359	10,898	Montana	793	4,664
Alaska	347	8,678	Nebraska	1,644	5,870
Arizona	4,128	17,564	Nevada	1,790	21,061
Arkansas	2,147	6,508	New Hampshire	1,693	9,153
California	34,797	17,226	New Jersey	11,056	13,565
Colorado	3,758	12,740	New Mexico	1,583	11,305
Connecticut	5,032	12,739	New York	16,649	11,522
Delaware	1,089	15,556	North Carolina	8,244	10,638
D.C.	167	16,680	North Dakota	789	5,092
Florida	22,131	22,815	Ohio	13,647	11,325
Georgia	9,077	13,348	Oklahoma	4,441	10,449
Hawaii	967	16,119	Oregon	3,316	10,527
Idaho	957	7,091	Pennsylvania	14,230	9,006
Illinois	14,991	11,945	Rhode Island	1,235	11,765
Indiana	6,643	9,490	South Carolina	3,753	10,724
Iowa	3,256	6,030	South Dakota	832	5,203
Kansas	2,795	7,166	Tennessee	6,732	14,635
Kentucky	3,465	9,493	Texas	18,918	12,406
Louisiana	4,244	11,168	Utah	1,501	10,004
Maine	1,545	7,537	Vermont	732	6,368
Maryland	7,032	17,581	Virginia	8,485	12,121
Massachusetts	9,417	15,068	Washington	4,705	12,220
Michigan	12,322	13,845	West Virginia	1,814	6,978
Minnesota	4,942	8,521	Wisconsin	5,847	8,009
Mississippi	2,331	7,642	Wyoming	458	5,730
Missouri	6,409	10,172	**Total U.S.**	**303,235**	**12,009**

Source: NADA Industry Analysis Division

RELATIONSHIP OF FRANCHISED NEW-CAR DEALERS TO TOTAL RETAIL TRADE

	Number of dealers as % of total retail establishments in the state	Dealer sales as % of total retail sales in the state	Dealer payroll as % of total retail payroll in the state	Dealer employees as % of total retail employment in the state
Alabama	1.9%	23.1%	14.0%	5.2%
Alaska	1.1%	8.4%	9.3%	3.9%
Arizona	1.3%	21.9%	13.1%	4.8%
Arkansas	2.5%	18.4%	11.0%	5.1%
California	1.4%	17.9%	12.8%	4.5%
Colorado	1.5%	16.7%	12.4%	4.8%
Connecticut	1.9%	22.4%	14.0%	5.3%
Delaware	1.7%	20.1%	16.2%	5.7%
D.C.	0.3%	2.7%	3.5%	1.0%
Florida	1.2%	23.3%	13.4%	4.9%
Georgia	1.9%	24.6%	13.1%	4.7%
Hawaii	1.0%	10.8%	7.7%	2.9%
Idaho	2.3%	17.5%	13.9%	5.9%
Illinois	2.1%	19.9%	11.7%	4.2%
Indiana	2.2%	18.9%	13.5%	5.0%
Iowa	3.0%	17.2%	13.0%	5.1%
Kansas	2.4%	18.0%	12.7%	5.1%
Kentucky	1.8%	17.0%	11.0%	4.4%
Louisiana	1.7%	16.6%	11.9%	5.1%
Maine	2.5%	19.5%	12.6%	5.7%
Maryland	1.5%	20.8%	14.8%	5.6%
Massachusetts	1.7%	19.2%	12.1%	4.4%
Michigan	1.9%	20.5%	14.2%	5.0%
Minnesota	2.2%	15.8%	11.3%	4.3%
Mississippi	2.2%	17.2%	12.8%	5.1%
Missouri	2.1%	19.5%	12.0%	4.6%
Montana	2.5%	15.8%	12.2%	5.3%
Nebraska	2.5%	16.4%	11.8%	4.5%
Nevada	1.4%	19.1%	14.8%	5.0%
New Hampshire	2.2%	19.8%	14.6%	5.7%
New Jersey	1.7%	18.7%	13.5%	5.0%
New Mexico	1.9%	16.8%	12.8%	5.0%
New York	1.4%	14.0%	9.9%	3.9%
North Carolina	2.1%	19.9%	13.0%	5.0%
North Dakota	3.1%	18.5%	17.2%	6.6%
Ohio	2.0%	20.7%	12.8%	5.0%
Oklahoma	2.3%	20.1%	12.9%	5.1%
Oregon	1.8%	18.3%	12.3%	5.1%
Pennsylvania	2.3%	18.1%	13.5%	5.4%
Rhode Island	1.6%	19.7%	9.2%	3.8%
South Carolina	1.8%	18.9%	12.4%	4.7%
South Dakota	2.8%	18.4%	15.3%	5.6%
Tennessee	1.8%	23.2%	13.6%	5.2%
Texas	1.6%	17.4%	11.7%	4.8%
Utah	1.8%	11.3%	11.9%	4.8%
Vermont	2.3%	12.0%	14.8%	5.8%
Virginia	2.0%	19.5%	15.3%	5.5%
Washington	1.5%	10.9%	11.3%	4.3%
West Virginia	2.9%	12.8%	14.2%	6.5%
Wisconsin	2.4%	18.2%	12.3%	4.7%
Wyoming	2.6%	11.4%	12.9%	5.3%
Total U.S.	**1.8%**	**18.6%**	**12.6%**	**4.8%**

Source: NADA Industry Analysis Division

THE NEW-VEHICLE DEPARTMENT

New-car sales rebounded in 1988, increasing by 3.5 percent from 1987. Domestic car sales were up 6 percent while sales of imports dropped 3 percent, reducing their market share to 29 percent.

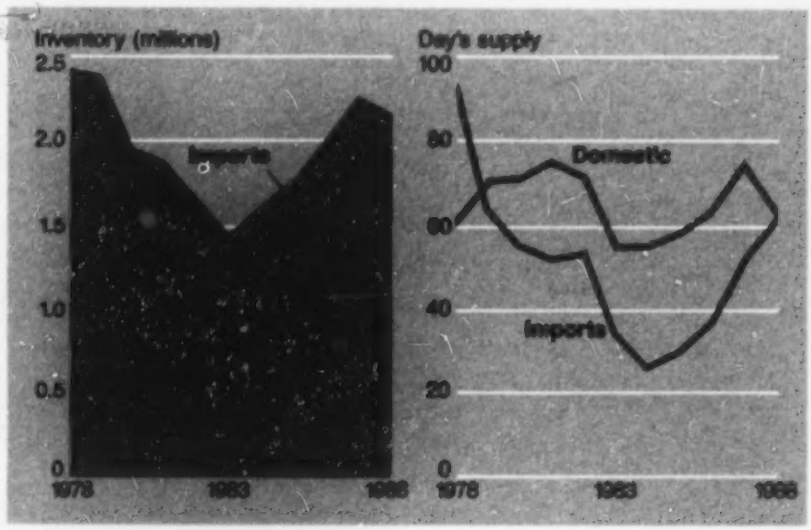
Strong sales by domestic manufacturers led to increases in market share for both Chrysler and Ford. General Motors' share declined marginally despite an increase of 2.4 percent in unit sales. The market share of "other" imports (which includes the non-Big Three Japanese exporters plus European and Korean exporters) has grown rapidly in recent years and is now almost twice its 1979 level.

The chart at the upper right illustrates that the strong performance of domestic cars resulted in lower inventory levels and days' supply. Import inventories, however, have risen because of weaker sales.

As shown in the lower right chart, new-car sales were above 10 million units for every month except October. Sales, on a seasonally adjusted annual basis, peaked in December at 11.5 million because of manufacturer rebates.

The chart on the next page (upper right) shows that the average selling price of a new vehicle rose less than 5 percent in 1988. The selling price figures represent actual transactions during the calendar year, include all accessories and options sold with the vehicle, and in no way attempt to control for quality or model mix changes.

NEW-CAR INVENTORIES AND DAYS' SUPPLY



NEW-CAR SALES BY MONTH

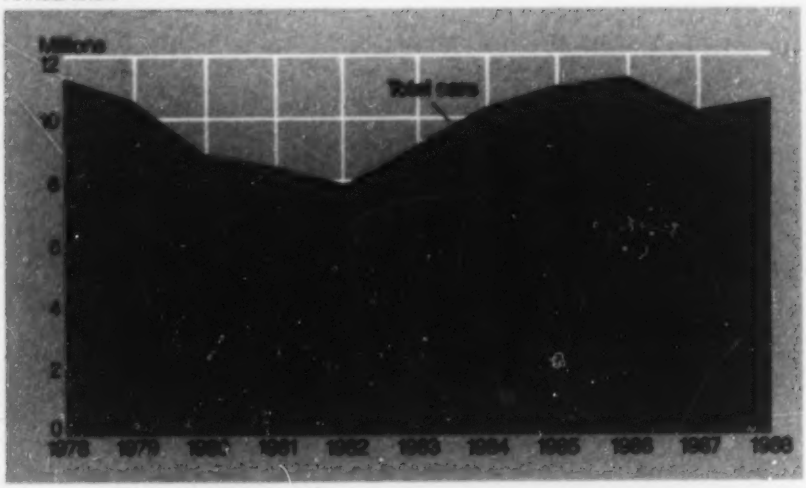
Seasonally adjusted annual rate

	1988 Actual	1988 SAAR* (in millions)	1987 Actual	1987 SAAR* (in millions)	% Change 1987-1988
January	765,500	10.7	625,500	8.3	22.4%
February	888,000	11.1	781,400	10.2	13.6%
March	1,007,000	10.7	934,700	10.2	7.7%
April	901,700	10.5	937,800	10.5	−3.8%
May	974,500	10.4	886,600	9.8	9.9%
June	1,010,100	11.0	942,800	10.4	7.1%
July	863,700	10.8	912,900	10.7	−5.4%
August	886,400	10.6	967,500	12.0	−8.4%
September	830,700	10.6	905,200	11.7	−8.2%
October	838,500	9.8	802,300	9.2	4.5%
November	790,400	10.1	736,800	9.6	7.3%
December	882,300	11.5	843,100	10.8	4.6%
Full Year	**10,638,800**	**10.6**	**10,276,600**	**10.3**	**3.5%**

*Seasonally adjusted annual rate

NEW PASSENGER-CAR SALES

Annual totals



AVERAGE NUMBER OF NEW VEHICLES SOLD PER DEALER AND AVERAGE SELLING PRICE PER VEHICLE

Year	New vehicles sold	Average vehicle selling price
1978	518	$ 6,470
1979	482	6,950
1980	408	7,530
1981	404	8,850
1982	411	9,910
1983	493	10,725
1984	574	11,100
1985	621	11,925
1986	639	12,950
1987	598	13,450
1988	616	14,100

Source: NADA Industry Analysis Division

MARKET PENETRATION

Share of total U.S. new-car sales

Year	AMC	Chrysler	Ford	General Motors	Volkswagen	Nissan	Honda	Toyota	Other imports	Total
1979	162,057	942,205	2,140,368	4,917,911	295,293	472,252	353,291	507,816	869,158	10,660,351
	1.52%	8.84%	20.08%	46.13%	2.77%	4.43%	3.31%	4.76%	8.15%	
1980	149,438	660,017	1,475,231	4,110,482	269,466	516,890	375,388	582,195	833,477	8,978,584
	1.66%	7.35%	16.43%	45.85%	3.00%	5.76%	4.18%	6.48%	9.28%	
1981	136,682	729,873	1,380,600	3,796,696	244,910	464,806	370,705	576,491	832,372	8,533,135
	1.60%	8.55%	16.18%	44.49%	2.87%	5.45%	4.34%	6.76%	9.75%	
1982	112,433	691,703	1,345,698	3,515,660	159,529	470,246	365,865	530,246	788,365	7,979,745
	1.41%	8.67%	16.86%	44.06%	2.00%	5.89%	4.58%	6.64%	9.88%	
1983	193,351	841,622	1,571,321	4,053,561	162,065	521,902	401,072	555,766	881,411	9,182,071
	2.11%	9.17%	17.11%	44.15%	1.77%	5.68%	4.37%	6.05%	9.60%	
1984	190,255	986,998	1,979,317	4,587,508	177,317	485,298	508,420	557,981	917,256	10,390,350
	1.83%	9.50%	19.05%	44.15%	1.71%	4.67%	4.89%	5.37%	8.83%	
1985	123,449	1,139,936	2,070,392	4,607,458	218,241	575,166	552,389	620,043	1,135,041	11,042,115
	1.12%	10.32%	18.75%	41.73%	1.98%	5.21%	5.00%	5.62%	10.28%	
1986	72,849	1,173,463	2,066,507	4,532,798	217,206	553,849	693,515	640,185	1,508,973	11,459,345
	0.64%	10.24%	18.03%	39.56%	1.90%	4.83%	6.05%	5.59%	13.17%	
1987	NA	962,057	2,019,783	3,555,538	191,705	576,663	738,306	628,662	1,603,845	10,276,559
	NA	9.36%	19.65%	34.60%	1.87%	5.61%	7.18%	6.12%	15.61%	
1988	NA	1,062,782	2,205,336	3,641,542	169,470	513,823	768,985	688,883	1,587,980	10,638,801
	NA	9.99%	20.73%	34.23%	1.59%	4.83%	7.23%	6.48%	14.93%	
Average 1978-1987	NA	919,066	1,825,455	4,132,515	210,520	515,090	512,794	588,827	1,095,788	9,914,106
	NA	9.27%	18.41%	41.68%	2.12%	5.20%	5.17%	5.94%	11.05%	

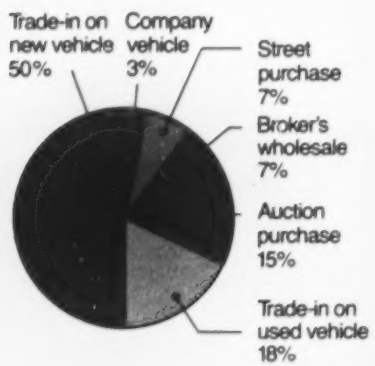
Note: The captive import sales of GM, Ford, and Chrysler are included under "Other Imports."

THE USED-VEHICLE DEPARTMENT

Following the trend in the new-vehicle market, sales of used vehicles by franchised new-car dealers rose 7.5 percent from 1987 while prices rose 9.1 percent. The relatively strong growth in the used-vehicle department continues to boost overall dealership dollar sales and profit.

Although the share of total dealership sales accounted for by the used-vehicle department increased only marginally in 1988, its profit contribution increased significantly, from 21 percent to 26 percent.

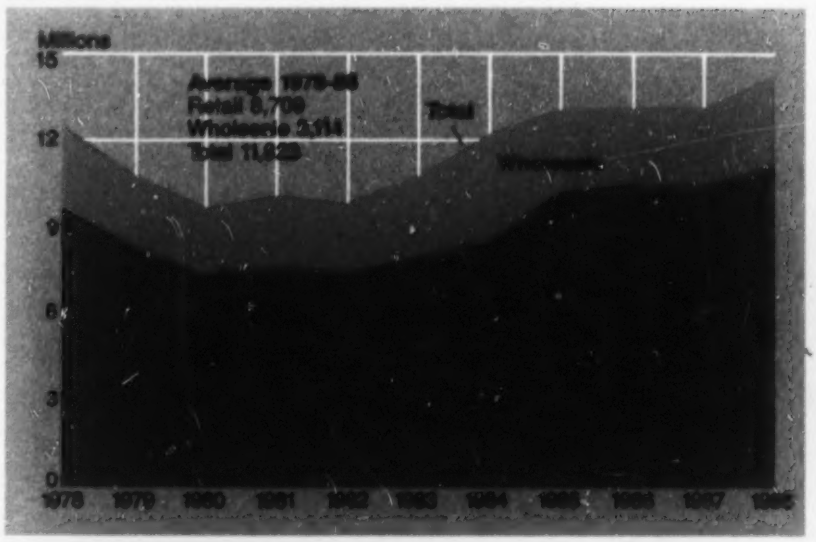
SOURCE OF USED CARS RETAILED BY FRANCHISED DEALERS



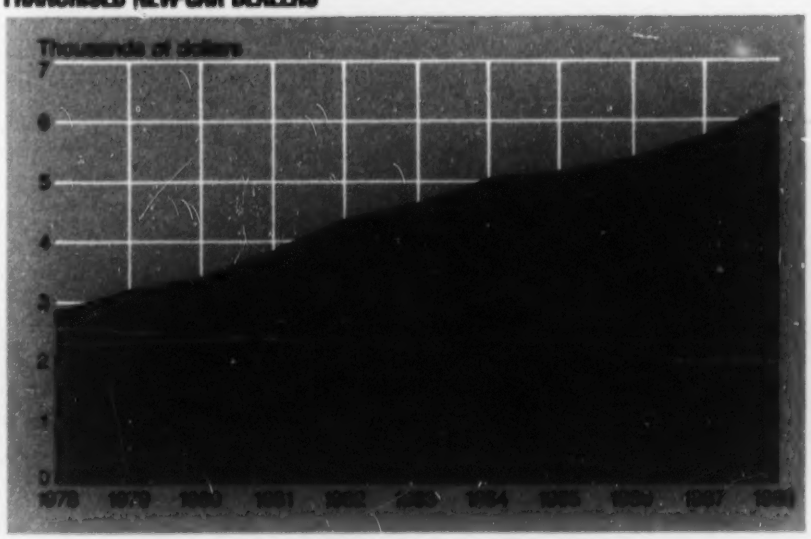
USED CARS RETAILED BY MODEL YEAR

Model Year	Percent of Total Sales
1988	8.0%
1987	14.0%
1986	17.1%
1985	17.4%
1984	14.3%
1983	8.0%
1982 & prior	21.2%

USED-VEHICLE SALES BY FRANCHISED NEW-CAR DEALERS



AVERAGE SELLING PRICE OF USED CARS RETAILED BY FRANCHISED NEW-CAR DEALERS



THE SERVICE AND PARTS DEPARTMENT

Strong growth in new-vehicle sales during the past five years has increased the number of newer models on the road. The resulting increase in warranty work and the rise in service contract plans have aided the growth in service and parts sales for the average dealer. In 1988, dollar sales rose 11 percent, and the department's share of total sales stayed at 14 percent.

As shown below, franchised dealers make a substantial investment in service and parts to maintain customer satisfaction. In 1988, franchised dealers provided 345,000 service stalls, employed 230,000 mechanics, and carried a parts inventory of over $4.6 billion.

DEALERS' SERVICE AND PARTS SALES

(Millions of dollars)

	1987	1988	Change
Service Labor			
Customer mechanical	6,448	7,430	15.2%
Customer body	2,622	2,866	9.3%
Warranty	2,589	2,866	10.7%
Sublet	1,468	1,625	10.7%
Internal	2,226	2,245	0.9%
Other	1,138	1,223	7.5%
Total service labor	16,490	18,256	10.7%
Parts			
Customer mechanical	5,066	5,975	18.0%
Customer body	2,577	2,762	7.2%
Wholesale	6,821	7,708	13.0%
Counter	1,466	1,607	9.6%
Warranty	3,333	3,942	18.3%
Internal	2,200	2,260	2.7%
Other	755	854	13.0%
Total parts	22,219	25,107	13.0%
Total Service & Parts	**$38,710**	**$43,363**	**12.0%**

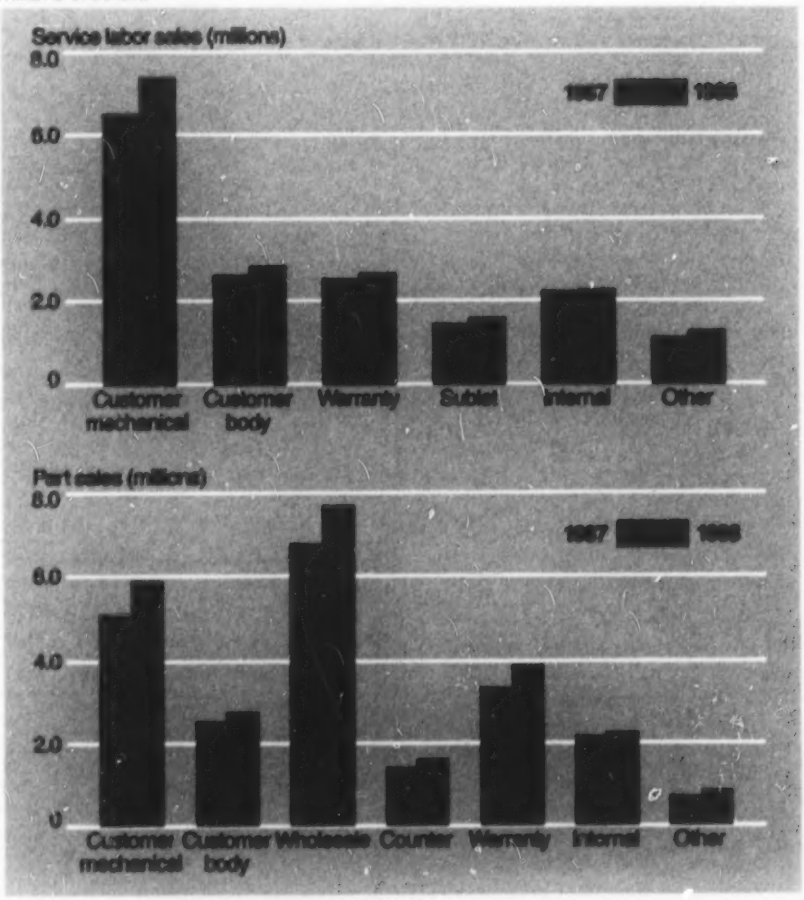
Source: NADA Industry Analysis Division

DEALERS' TOTAL SERVICE AND PARTS SALES (Billions of dollars)

	Amount	Change
1978	$20.462	10.5%
1979	23.142	13.1%
1980	22.703	−1.9%
1981	23.116	1.8%
1982	24.447	5.8%
1983	26.363	7.8%
1984	29.820	13.1%
1985	32.078	7.6%
1986	34.042	6.1%
1987	38.710	13.7%
1988	43.363	12.0%

FRANCHISED NEW-CAR DEALER SERVICE AND PARTS

Millions of dollars



PROFILE OF THE FRANCHISED DEALER'S SERVICE AND PARTS OPERATION

	Average dealership	All dealers
Total service and parts sales	$1,717,331	$43.4 billion
Total gross profit as percent of service and parts sales	38.5%	
Total net profit as percent of service and parts sales	1.9%	
Total number of repair orders written	7,633	193 million
Total service and parts sales per customer repair order	$160	
Total service and parts sales per warranty repair order	$130	
Number of mechanics	9	230,000
Number of service bays (excluding body)	14	345,000
Total parts inventory	$182,100	$4.6 billion
Average customer mechanical labor rate	$35	

EMPLOYMENT AND PAYROLLS

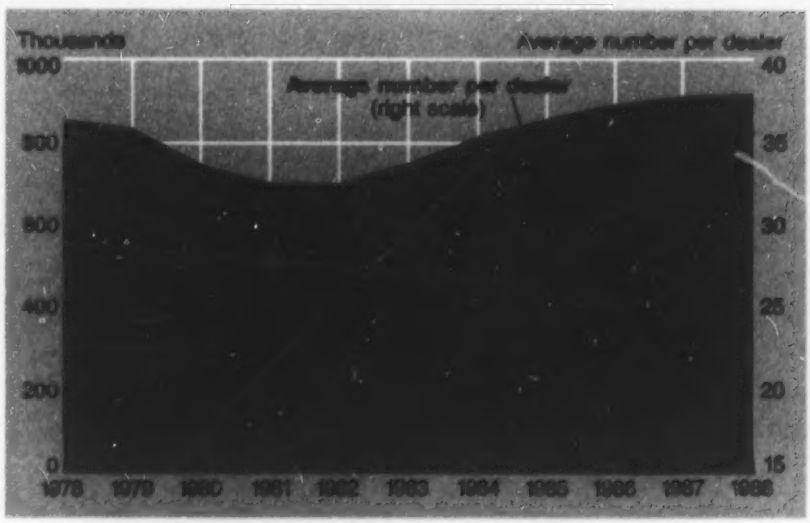
Dealerships are often one of the major employers in their local communities. Consequently, the increases in dealership payrolls have been a significant factor behind the economy's growth these past six years. In 1983, there were an estimated 748,800 employees working in franchised new-car dealerships. By 1988, employment had increased by 23 percent to 920,000 employees.

The number and type of employees varies significantly among dealerships depending on dealership characteristics such as size, location, primary make, and the distribution of sales among departments. It is estimated, however, that the total employment count of all dealerships in 1988 was distributed as follows:

New- and used-vehicle salespeople	187,680
Mechanics	230,000
Service and parts workers (other than mechanics)	248,400
Supervisors, general office workers, and others	253,920
Total	920,000

The average dealer in 1988 employed 36 persons and had an annual payroll of $919,000. The annual payroll of all dealerships totaled $23.2 billion and represents 12.6 percent of the total retail trade payroll in the nation.

ESTIMATED NUMBER OF EMPLOYEES OF FRANCHISED NEW-CAR DEALERS



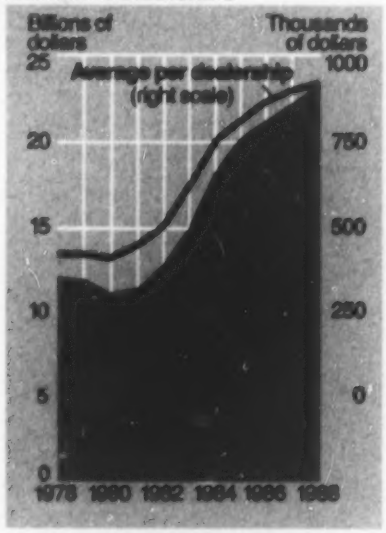
ESTIMATED NUMBER OF EMPLOYEES OF FRANCHISED NEW-CAR DEALERS

1988 averages by state

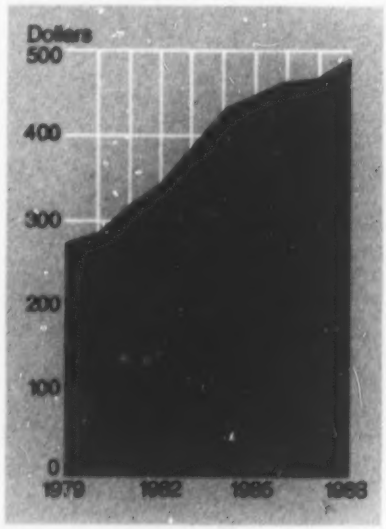
	Total number all dealers	Average number per dealer		Total number all dealers	Average number per dealer
Alabama	13,785	38	Montana	3,240	20
Alaska	945	24	Nebraska	5,965	20
Arizona	13,600	62	Nevada	4,810	58
Arkansas	6,445	18	New Hampshire	5,455	30
California	102,915	54	New Jersey	28,465	36
Colorado	12,925	46	New Mexico	5,340	35
Connecticut	15,635	40	New York	46,885	33
Delaware	3,215	41	North Carolina	25,970	33
D.C.	655	62	North Dakota	3,095	20
Florida	55,900	57	Ohio	43,505	36
Georgia	26,400	40	Oklahoma	12,930	30
Hawaii	3,425	58	Oregon	11,880	36
Idaho	3,685	24	Pennsylvania	46,880	29
Illinois	40,055	31	Rhode Island	3,625	36
Indiana	20,090	28	South Carolina	12,305	35
Iowa	11,465	20	South Dakota	3,185	19
Kansas	9,675	23	Tennessee	19,775	41
Kentucky	11,690	31	Texas	55,130	36
Louisiana	14,400	35	Utah	5,020	33
Maine	5,320	25	Vermont	2,610	24
Maryland	22,090	56	Virginia	29,510	45
Massachusetts	27,140	41	Washington	15,695	38
Michigan	35,035	39	West Virginia	7,275	28
Minnesota	15,720	27	Wisconsin	19,735	25
Mississippi	8,185	25	Wyoming	1,955	24
Missouri	19,365	30	**Total U.S.**	**920,000**	**36**

Source: NADA Industry Analysis Division

ANNUAL PAYROLL OF FRANCHISED NEW-CAR DEALERSHIPS



AVERAGE WEEKLY EARNINGS OF DEALERSHIP EMPLOYEES



AVERAGE WEEKLY EARNINGS OF FRANCHISED NEW-CAR DEALERS' EMPLOYEES IN 1988

Alabama	$434	Montana	$369
Alaska	615	Nebraska	390
Arizona	514	Nevada	610
Arkansas	373	New Hampshire	485
California	586	New Jersey	547
Colorado	477	New Mexico	425
Connecticut	512	New York	499
Delaware	505	North Carolina	450
D.C.	542	North Dakota	393
Florida	532	Ohio	449
Georgia	495	Oklahoma	427
Hawaii	487	Oregon	443
Idaho	400	Pennsylvania	429
Illinois	514	Rhode Island	447
Indiana	436	South Carolina	424
Iowa	385	South Dakota	399
Kansas	425	Tennessee	454
Kentucky	397	Texas	482
Louisiana	409	Utah	426
Maine	399	Vermont	422
Maryland	520	Virginia	492
Massachusetts	509	Washington	510
Michigan	516	West Virginia	358
Minnesota	445	Wisconsin	411
Mississippi	400	Wyoming	406
Missouri	469	Total U.S.	485

Source: NADA Industry Analysis Division

ANNUAL PAYROLL OF FRANCHISED NEW-CAR DEALERSHIPS

1988 year by state

	Total of all dealerships ($ millions)	Average per dealership ($ thousands)
Alabama	311	778
Alaska	30	757
Arizona	365	1,547
Arkansas	125	379
California	3,136	1,553
Colorado	321	1,087
Connecticut	417	1,055
Delaware	84	1,205
D.C.	19	1,853
Florida	1,547	1,595
Georgia	680	998
Hawaii	87	1,446
Idaho	77	568
Illinois	1,070	853
Indiana	456	651
Iowa	230	425
Kansas	214	548
Kentucky	241	661
Louisiana	306	805
Maine	110	539
Maryland	598	1,494
Massachusetts	718	1,149
Michigan	940	1,056
Minnesota	364	628
Mississippi	170	558
Missouri	472	749
Montana	62	366
Nebraska	121	432
Nevada	153	1,796
New Hampshire	137	743
New Jersey	810	994
New Mexico	118	844
New York	1,216	841
North Carolina	608	785
North Dakota	63	409
Ohio	1,015	843
Oklahoma	287	676
Oregon	274	869
Pennsylvania	1,045	661
Rhode Island	84	802
South Carolina	271	775
South Dakota	66	412
Tennessee	467	1,014
Texas	1,381	906
Utah	111	742
Vermont	57	498
Virginia	755	1,079
Washington	416	1,081
West Virginia	135	521
Wisconsin	421	577
Wyoming	41	517
Total U.S.	**23,202**	**919**

ADVERTISING AND THE FRANCHISED DEALERSHIP

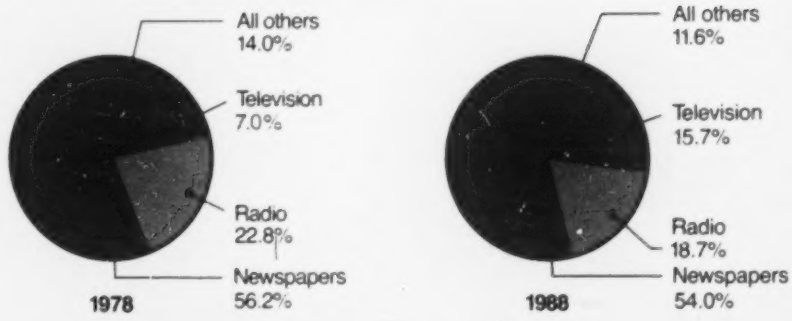
Franchised new-car dealers spent a record $4.1 billion on advertising in 1988—an increase of over 12 percent from 1987. Advertising expenditures as a percent of total sales increased slightly from 1.31 percent in 1987 to 1.34 percent in 1988.

Dealerships selling 750 units or more a year allocated 1.42 percent of dollar sales to advertising, while dealerships selling less than 150 units spent only 0.69 percent of their total sales on advertising. Since large-volume dealerships now account for a greater share of the total dealership population than in years past, their increased advertising outlays have quickly pulled up the overall averages.

Among media sources, newspapers continue to be the biggest beneficiary of dealership advertising expenditures. In 1988, dealers spent 54 percent of their advertising dollars on newspapers, followed by 19 percent and 16 percent for radio and television, respectively.

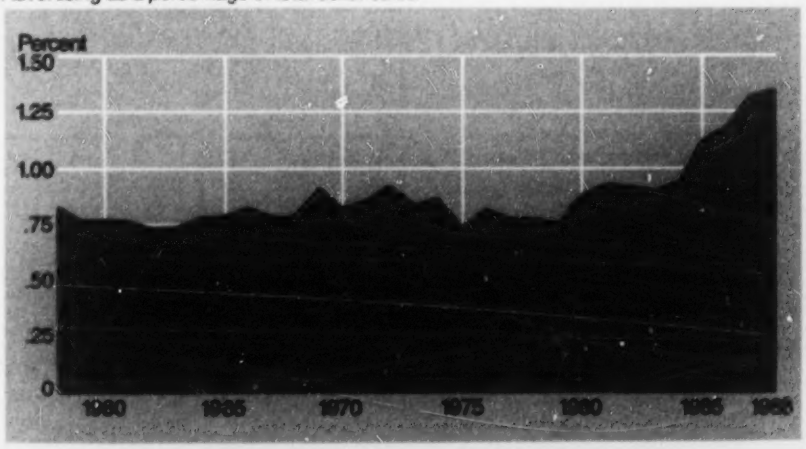
PERCENT OF TOTAL ADVERTISING EXPENDITURES

Weighted average of all dealers



DEALERSHIP ADVERTISING

Advertising as a percentage of total dollar sales



ESTIMATED ADVERTISING EXPENSES PER DEALER IN 1988

Dealers classified by the number of new units sold in 1988

By media used	Average of all dealers	1-149	150-399	400-749	750 or more
Newspapers	$86,899	$12,311	$47,121	$92,674	$224,112
Radio	30,093	$5,831	19,832	33,197	68,281
TV	25,265	$1,570	8,645	26,454	77,078
Direct mail	9,816	$1,458	4,831	10,547	26,391
Displays & demos	5,150	$807	2,797	6,224	12,567
Other	3,702	$448	1,524	3,804	10,471
Total	**$160,925**	**$22,425**	**$84,750**	**$172,900**	**$418,900**
Total advertising as a % of total sales	1.34%	0.69%	1.13%	1.33%	1.42%
Total advertising per new vehicle sold	$261	$179	$257	$274	$254

CONSUMER CREDIT

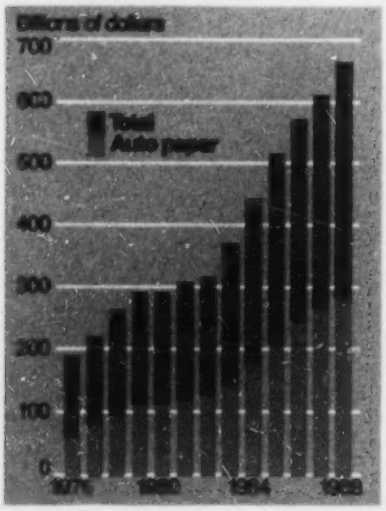
The average finance rate for both banks and finance companies increased in 1988. The bank rate increased from 10.5 to 10.9 percent, while rates at the manufacturers' captive finance companies increased from 10.7 percent to 12.6 percent, reflecting fewer, and less generous, interest buydown programs. Despite these rate increases, consumer credit continued to grow. In 1988, automobile paper outstanding increased 8.5 percent and represented 44 percent of all consumer installment credit outstanding.

AVERAGE MATURITY OF NEW-CAR LOANS AT FINANCE COMPANIES

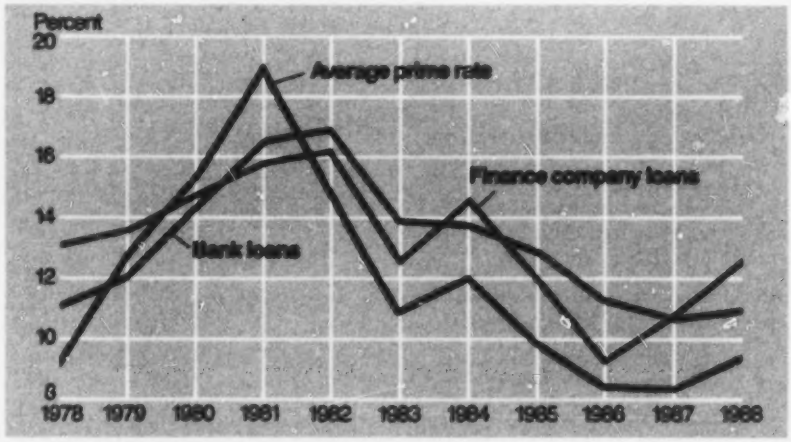
1970	34.7 months
1975	37.6 months
1980	44.7 months
1985	51.5 months
1986	50.0 months
1987	53.5 months
1988	56.2 months

CONSUMER INSTALLMENT CREDIT OUTSTANDING

End of year; seasonally adjusted

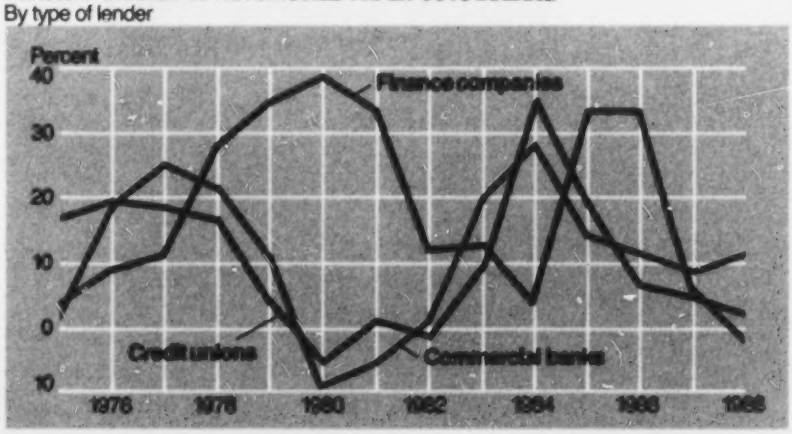


AVERAGE FINANCE RATE ON NEW-CAR LOANS



PERCENT CHANGE IN AUTOMOBILE PAPER OUTSTANDING

By type of lender



AUTOMOBILE PAPER OUTSTANDING BY TYPE OF LENDER

(End of year—Seasonally adjusted—Millions of $)

	Commercial banks		Credit unions		Finance companies	
	Total $ amount	% of total	Total $ amount	% of total	Total $ amount	% of total
1978	60,657	61.4%	21,032	21.3%	17,050	17.3%
1979	67,464	60.0%	22,063	19.6%	22,948	20.4%
1980	61,557	55.0%	20,876	18.6%	29,503	26.4%
1981	58,442	49.1%	21,036	17.7%	39,478	33.2%
1982	59,065	47.5%	20,855	16.8%	44,298	35.7%
1983	71,033	49.4%	22,713	15.8%	50,053	34.8%
1984	91,005	52.4%	30,448	17.5%	52,251	30.1%
1985	104,084	49.6%	36,025	17.2%	69,527	33.2%
1986	116,322	47.0%	38,435	15.5%	92,556	37.4%
1987	127,430	47.9%	40,351	15.2%	98,195	36.9%
1988	142,644	50.7%	41,326	14.7%	97,204	34.6%

Source: Federal Reserve Board

VEHICLES IN OPERATION AND SCRAPPAGE

On January 1, 1989, there were 172.6 million vehicles in operation. Over the past 10 years, the car population increased by 22 percent and the truck fleet by 29 percent. But the growth rate of vehicles in operation since 1984 has been modest compared with the rate in the 1960s and the 1970s.

Scrappage—the difference between sales and the increase in vehicles in operation—declined 3.5 percent in 1988. Scrappage as a percentage of new-vehicle registrations declined from 74.4 percent in 1987 to 69.2 percent in 1988.

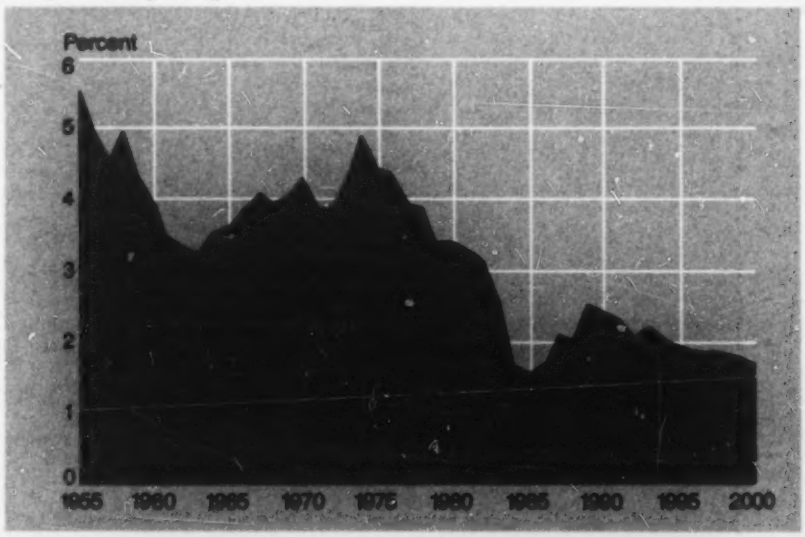
VEHICLES AND POPULATION

Year	Estimated population in U.S. (as of 1/1) (millions)	Estimated vehicles in operation (as of 1/1) (millions)	Persons per vehicle
1910	92.6	0.6	154.3
1920	106.8	9.0	11.9
1930	123.4	23.5	5.2
1940	132.1	28.4	4.7
1950	151.1	41.7	3.6
1960	179.4	66.4	2.7
1970	203.8	98.1	2.1
1980	226.4	144.5	1.6
1985	237.5	156.1	1.5
1990	248.6	175.0	1.4
1995	258.6	190.0	1.4
2000	267.2	205.0	1.3

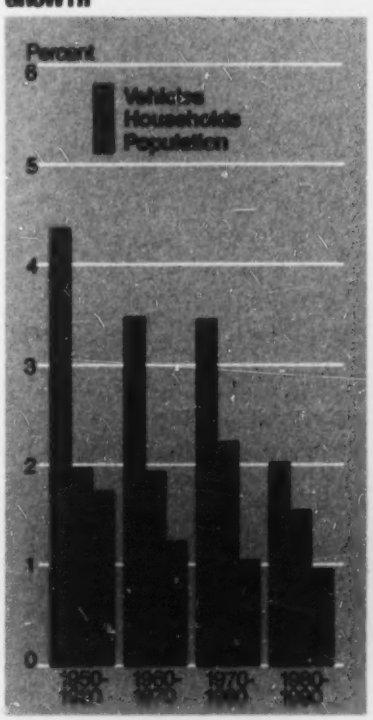
Source: U.S. Bureau of the Census and NADA Industry Analysis Division

GROWTH RATE OF VEHICLES IN OPERATION

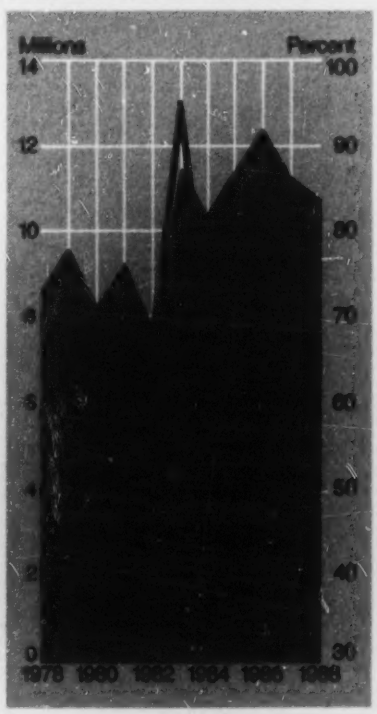
Five-year moving average



COMPOUND ANNUAL RATES OF GROWTH



ESTIMATED VEHICLE SCRAPPAGE



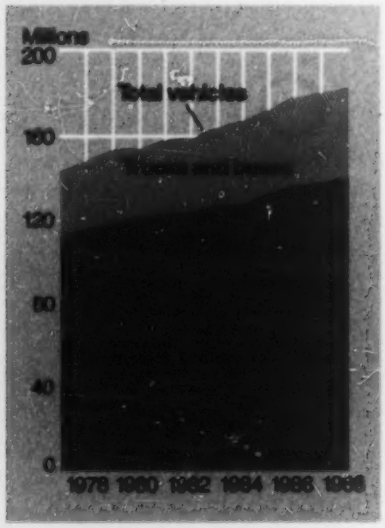
TOTAL REGISTRATIONS

TOTAL U.S. MOTOR VEHICLE REGISTRATIONS IN 1988

	Autos	Trucks & buses	Total vehicles*		Autos	Trucks & buses	Total vehicles*
Alabama	2,758,000	894,000	3,652,000	Montana	413,000	231,000	644,000
Alaska	225,000	129,000	354,000	Nebraska	887,000	445,000	1,332,000
Arizona	1,783,000	715,000	2,498,000	Nevada	624,000	233,000	857,000
Arkansas	961,000	520,000	1,481,000	New Hampshire	724,000	190,000	914,000
California	16,473,000	4,808,000	21,281,000	New Jersey	5,048,000	593,000	5,641,000
Colorado	2,227,000	853,000	3,080,000	New Mexico	799,000	477,000	1,276,000
Connecticut	2,498,000	166,000	2,664,000	New York	8,764,000	1,270,000	10,034,000
Delaware	385,000	112,000	497,000	North Carolina	3,542,000	1,474,000	5,016,000
D.C.	252,000	16,000	268,000	North Dakota	387,000	267,000	654,000
Florida	8,822,000	2,224,000	11,046,000	Ohio	7,177,000	1,601,000	8,778,000
Georgia	3,708,000	1,522,000	5,230,000	Oklahoma	1,991,000	946,000	2,937,000
Hawaii	614,000	84,000	698,000	Oregon	1,689,000	571,000	2,260,000
Idaho	626,000	393,000	1,019,000	Pennsylvania	6,331,000	1,538,000	7,869,000
Illinois	6,428,000	1,448,000	7,876,000	Rhode Island	554,000	118,000	672,000
Indiana	2,774,000	962,000	3,736,000	South Carolina	1,793,000	610,000	2,403,000
Iowa	1,987,000	779,000	2,766,000	South Dakota	418,000	271,000	689,000
Kansas	1,512,000	694,000	2,206,000	Tennessee	3,304,000	831,000	4,135,000
Kentucky	1,832,000	930,000	2,762,000	Texas	8,330,000	3,879,000	12,209,000
Louisiana	1,984,000	943,000	2,927,000	Utah	760,000	359,000	1,119,000
Maine	698,000	226,000	924,000	Vermont	345,000	121,000	466,000
Maryland	2,769,000	600,000	3,369,000	Virginia	3,623,000	1,106,000	4,729,000
Massachusetts	3,433,000	498,000	3,931,000	Washington	2,801,000	1,122,000	3,923,000
Michigan	5,556,000	1,524,000	7,080,000	West Virginia	831,000	385,000	1,216,000
Minnesota	2,546,000	717,000	3,263,000	Wisconsin	2,373,000	714,000	3,087,000
Mississippi	1,341,000	413,000	1,754,000	Wyoming	290,000	203,000	493,000
Missouri	2,665,000	1,088,000	3,753,000	Total U.S.	140,655,000	42,813,000	183,468,000

*Total vehicles excludes motorcycles (4,719,000)
Source: U.S. Department of Transportation, Federal Highway Administration

TOTAL U.S. MOTOR-VEHICLE REGISTRATION



FRANCHISED NEW-TRUCK SALES

New-truck sales totaled 5.1 million units in 1988, an increase of almost 5 percent from the previous year. Medium- and heavy-duty truck sales reached a record 334,000 units, with almost all segments posting gains.

Sales of medium-duty trucks rose 18 percent because of strong demand for Ford's F-series class 4 trucks. Fleet deliveries of class 6 trucks by both GM and Navistar also helped boost overall medium-duty truck sales. Heavy-duty trucks recorded their second straight year of higher sales, with 147,000 units sold in 1988.

The 16 percent increase in medium- and heavy-duty truck sales led to an 11 percent gain in total dollar sales of franchised new-truck dealers. Net profit as a percent of sales increased to 2.2 percent from 1.8 percent in 1987. Although all departments showed sales increases, the new-truck department continues to contribute the most to total dealership sales.

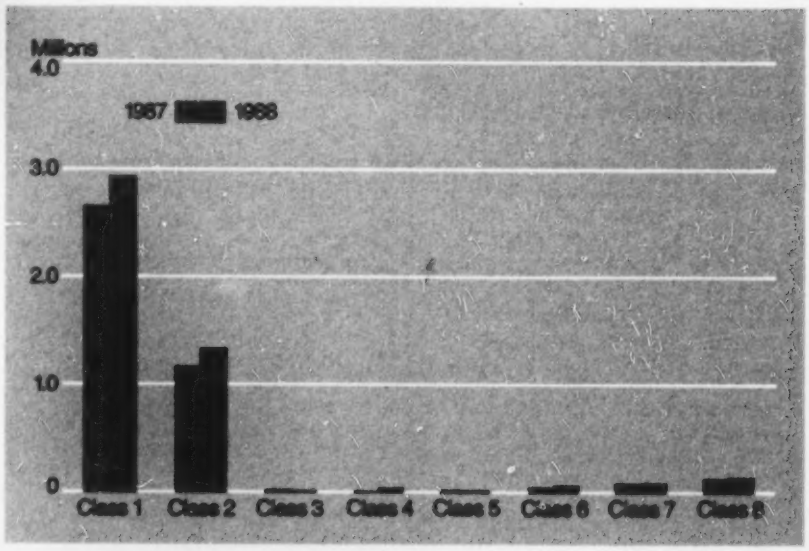
Overall, truck dealers' profitability in 1988 was good. Dealer investments improved considerably, with return on both assets and net worth increasing substantially over 1987.

TRUCK CATEGORIES

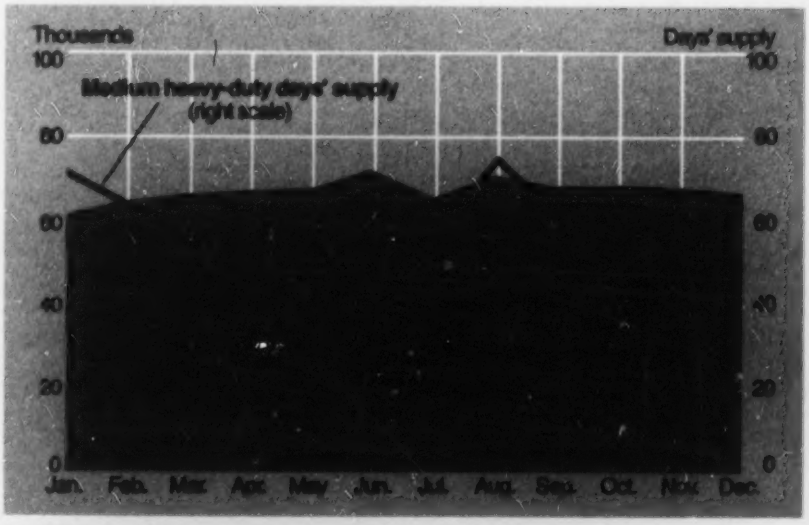
Trucks are classified by gross vehicle weight into eight categories as listed below:

Class 1	0-6,000 lbs.
Class 2	6,001-10,000 lbs.
Class 3	10,001-14,000 lbs.
Class 4	14,001-16,000 lbs.
Class 5	16,001-19,500 lbs.
Class 6	19,501-26,000 lbs.
Class 7	26,001-33,000 lbs.
Class 8	33,000 lbs. and over

NEW-TRUCK SALES BY GROSS VEHICLE WEIGHT



1987 MEDIUM-AND HEAVY-DUTY INVENTORIES



AVERAGE FINANCIAL PROFILE MEDIUM- AND HEAVY-DUTY TRUCK DEALERSHIPS

	1988	1987	1986
Total dealership sales	18,218,400	16,350,000	13,530,000
net profit as a % of sales	2.2%	1.8%	1.8%
Total dealership gross	2,598,000	2,263,200	2,054,400
as % of total sales	14.3%	13.8%	15.2%
Total dealership expense	2,290,800	2,145,600	1,857,600
as % of total sales	12.6%	13.1%	13.7%
New-truck sales	11,511,600	9,894,000	7,611,600
as % of total sales	63.2%	60.5%	56.3%
Used-truck sales	1,636,000	1,599,600	1,441,200
as % of total sales	10.1%	9.8%	10.7%
Service and parts sales	4,546,800	4,497,600	3,946,800
as % of total sales	25.0%	27.5%	29.2%
Service and parts absorption	84.7%	86%	87%
Return on assets	8.7%	6.6%	6.2%
Return on net worth	45.7%	24.9%	23.1%

1988 INDUSTRY HIGHLIGHTS

*Number of franchised new-car dealerships (year end) 25,500

*Total dollar sales
All dealerships . . . . . $303.2 billion
Average dealership $12,009,307

*Number of new cars sold
All dealerships 10,638,801
Average dealership 417

*Total employment
All dealerships 920,000
Average dealership 36

*Total annual payroll
All dealerships . . . . . $23.2 billion
Average dealership $919,000

*Total advertising expenditures
All dealerships . . . . . $4.1 billion
Average dealership $160,925

*Number of vehicles in operation (year end) 172,600,000
*Number of medium- and heavy-duty trucks sold 334,000

NADA Data *is prepared by NADA's Industry Analysis Division. For further information or to order additional copies ($10 apiece), please call (703) 821-7295.*

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